

Message Text

CONFIDENTIAL

PAGE 01 BONN 03468 01 OF 02 021751Z

53

ACTION EUR-12

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00 DOTE-00

EB-07 INR-07 NSAE-00 FAA-00 PM-04 H-02 L-03 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 ACDA-05 SAJ-01 OMB-01

TRSE-00 EURE-00 /075 W

----- 091163

P R 021735Z MAR 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 6860

INFO USMISSION USBERLIN PRIORITY

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY MOSCOW

AMEMBASSY BERLIN

USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 03468

E.O. 11652: GDS

TAGS: EAIR, PFOR, GW, WB, US, UK, FR, UR

SUBJECT: CIVAIR: IGS FARE INCREASE

REF: A. STATE 44625 B. BONN 445 C. BONN 1929

1. SUMMARY: EMBASSY SHARES DEPARTMENT'S VIEW THAT FRG/
WEST BERLIN REACTION TO AN IGS FARE INCREASE WILL BE
STRONGLY NEGATIVE. WE ALSO BELIEVE OUR FARE INCREASE
PRESENTATION SHOULD TAKE ACCOUNT OF GERMAN CONCERNS
REGARDING IMPROVEMENTS IN THE IGS AND WEST BERLIN'S
POSITION AS AN AIR TRANSPORT CENTER. TO AVOID IMPEDING
PROGRESS ON RAISING FARES, HOWEVER, WE BELIEVE BCATAG
PROCESSING, BONN GROUP CONSIDERATION OF RELATED POLITI-
CAL QUESTIONS AND DISCUSSIONS WITH THE AIRLINES ON PR
IMPROVEMENTS SHOULD MOVE AHEAD SIMULTANEOUSLY. AS A
FIRST STEP WE PROPOSE TO ADDRESS TACTICS FOR APPROACH-
ING GERMANS ON THE FARE INCREASE AND THE OTHER POINTS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 03468 01 OF 02 021751Z

RAISED BY REF A IN A COMBINED TRIPARTITE BONN GROUP/

CAA FORUM. END SUMMARY.

2. AS POINTED OUT IN REF B, EMBASSY BELIEVES THE NEED FOR AN UPWARD ADJUSTMENT IN IGS FARES HAS BEEN SATISFACTORILY SUPPORTED BY AIRLINE SUBMISSIONS. WE SHARE DEPARTMENT'S CONCERNS REGARDING LIKELIHOOD THAT AN ALLIED DECISION TO MOVE AHEAD WITH A FARE INCREASE WILL LEAD TO A STRONGLY NEGATIVE RESPONSE FROM FRG/WEST BERLIN OFFICIALS AND THE TRAVELING PUBLIC. THE CORE PROBLEM REMAINS THE HIGHLY EMOTIONAL VIEW OF THE BERLIN AIR SERVICES HELD BY WEST BERLIN AUTHORITIES AND PUBLIC. THIS CONTRIBUTES TO AN INABILITY OR UNWILLINGNESS TO ACCEPT THAT THE ECONOMIC BASIS FOR THE IGS HAS ALTERED DRASTICALLY OVER THE PAST FIVE YEARS AS A RESULT OF THE QUADRIpartite AGREEMENT (QA), AND THE STEEP INCREASE IN OPERATING COSTS CAUSED BY THE ENERGY CRISIS.

3. WE AGREE THAT OUR BCATAG PRESENTATION SUPPORTING A FARE INCREASE SHOULD AS MUCH AS POSSIBLE TAKE ACCOUNT OF FRG AND WEST BERLIN CONCERNS REGARDING THE FUTURE OF THE BERLIN CIVIL AIR SERVICES. OUR TACTICAL OBJECTIVE, HOWEVER, SHOULD BE TO ORCHESTRATE OUR APPROACH SO AS TO AVOID LOSING MOMENTUM ON INTRODUCING INCREASE BY BECOMING BOGGED DOWN WITH THE GERMANS IN A LENGTHY DISCUSSION OF RELATED ISSUES. PREVIOUS EXPERIENCE HAS SHOWN THAT GERMAN BCATAG REPS TEND TO PLAY A DELAYING GAME WHEN CONFRONTED WITH A FARE INCREASE. THERE FOLLOW EMBASSY COMMENTS ON THE SPECIFIC POINTS RAISED IN REF A.

4. POLITICAL APPROACHES TO FRG AND BERLIN OFFICIALS: THERE IS GENERAL AGREEMENT AMONG THE CAA'S -- AND WE THINK THE AIRLINES -- THAT A SUBSIDY INCREASE WOULD BE A FAR MORE DESIRABLE MEANS OF RAISING AIRLINE REVENUES THAN A FARE INCREASE. AS IN PREVIOUS EXERCISES, EMB AND BRITISH CAA'S WILL INCLUDE A DISCUSSION OF SUBSIDY LEVELS IN THE NARRATIVE PORTION OF OUR BCATAG PRESENTATION. WE HAVE DATA AVAILABLE TO DEMONSTRATE THE DECLINE IN FRG SUBSIDY PAYMENTS TO THE AIRLINES IN ABSOLUTE TERMS AND AS A PERCENTAGE OF THE FARE SINCE

CONFIDENTIAL

PAGE 03 BONN 03468 01 OF 02 021751Z

1971. OUR OBJECTIVE HERE WOULD BE
A. TO DOCUMENT THE CASE FOR INCREASE SUBSIDIES, AND
B. TO GIVE THE GERMANS AN OPPORTUNITY TO CONSIDER THIS ALTERNATIVE IN LIEU OF A FARE INCREASE.
WE DO NOT THINK, HOWEVER, A SEPARATE APPROACH ON SUBSIDIES EITHER IN THE BCATAG OR AT THE POLITICAL LEVEL WOULD BE ADVISABLE AT THE OUTSET, SINCE OUR EXPERIENCE WITH THE 1974 FUEL EXCHANGE DEMONSTRATED

THAT A.SEPARATE DEMARCHE ON SUBSIDIES COULD DELAY
PROGRESS ON THE FARE INCREASE TO THE POINT WHERE ULTIM-
ATELY THE ALLIES HAD TO ACT MORE ABRUPTLY THAN MIGHT
OTHERWISE HAVE BEEN THE CASE.

5. EFFORTS TO IMPROVE AIR COMMUNICATIONS TO BERLIN:
WE BELIEVE THAT LUFTHANSA'S STOP AT TEGEL AND NON-THREE
POWER FLIGHTS ARE AREAS DESERVING OF RENEWED ATTENTION,
AND WE WOULD PROPOSE REVIEWING THEM INITIALLY IN A

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 BONN 03468 02 OF 02 021803Z

53

ACTION EUR-12

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00 DOTE-00

EB-07 INR-07 NSAE-00 FAA-00 PM-04 H-02 L-03 NSC-05

PA-01 PRS-01 SP-02 SS-15 USIA-06 ACDA-05 SAJ-01 OMB-01

TRSE-00 EURE-00 /075 W

----- 091329

P R 021735Z MAR 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC PRIORITY 6861

INFO USMISSION USBERLIN PRIORITY

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY MOSCOW

AMEMBASSY BERLIN

USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 02 OF 02 BONN 03468

TRIPARTITE BONN GROUP/CAA FORUM. AT THE SAME TIME
WE WOULD MAKE GENERAL REFERENCE TO THESE QUESTIONS IN
OUR BCATAG PRESENTATION. WE WOULD HOPE THE BRITISH
COULD BE PRESSURED TO MOVE AHEAD, ON NON-THREE
POWER FLIGHTS, AND WOULD BASE OUR DECISION AS TO WHEN

TO PROCEED TO THE QUADRIPARTITE BONN GROUP ON THE RESULTS OF ALLIED DELIBERATIONS. WE THINK, HOWEVER, OUR BCATAG EFFORTS SHOULD MOVE AHEAD INDEPENDENTLY FOR THE REASONS GIVEN IN PARAS TWO AND THREE ABOVE.

6. WITH RESPECT TO IGS SCHEDULING, SEASONAL SCHEDULES ARE ROUTINELY SUBMITTED TO THE BCATAG 90 DAYS BEFORE INTRODUCTION. IN THE PAST TWO YEARS, GERMAN REPS HAVE HAD LITTLE TO SAY ABOUT THESE SCHEDULES EXCEPT FOR VERY OCCASIONAL SUGGESTIONS. THE CAA'S HAVE IN EVERY CASE PURSUED THE RECOMMENDATION WITH THE AIRLINES, AND
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 BONN 03468 02 OF 02 021803Z

HAVE SUBMITTED CAREFULLY DOCUMENTED EXPLANATIONS COVERING THOSE INSTANCES WHEN THE AIRLINES WERE UNABLE TO ACCOMMODATE GERMAN REQUESTS. AN EXAMPLE OF BCATAG COORDINATION WAS PROVIDED BY THE RECENT ROUTE SWAP EXERCISE, WHEN THE GERMANS WERE PROVIDED A DETAILED DESCRIPTION OF THE PROPOSAL, AND GIVEN AMPLE OPPORTUNITY TO COMMENT AND MAKE SUGGESTIONS. WE ARE PRESENTLY ENGAGED IN CLEARING THE AIRLINES' 1976 SUMMER SCHEDULES, AND WILL MAKE EVERY EFFORT TO ENSURE THAT GERMAN VIEWS (IF ANY), ARE TAKEN FULLY INTO ACCOUNT.

7. PUBLIC RELATIONS EFFORTS OF ALLIED CARRIERS:
THE CARRIERS' PUBLIC IMAGE IN 1975 TOOK A BATTERING FOR A NUMBER OF REASONS, INCLUDING THE ROUTE SWAP AND THE MOVE TO TEGEL. ALTHOUGH MANY OF THE PROBLEMS WERE BEYOND THE CARRIERS' CONTROL, WE ALSO THINK THEY COULD HAVE DONE A BETTER JOB IN SELLING THEMSELVES TO THE PUBLIC. THE PROBLEM DOES NOT SEEM TO BE ONE OF INFIGHT SERVICE -- WHICH WE JUDGE TO MEET USUAL STANDARDS FOR A SHORT DISTANCE HIGH DENSITY ROUTE PATTERN, BUT RATHER GROUND PASSENGER HANDLING AND RESERVATION PROCEDURES. IN GENERAL, THE BERLIN TRAVELING PUBLIC IS HAVING DIFFICULTY IN READJUSTING TO HIGH LOAD FACTORS, AND THE INEVITABLE GROWING PAINS OF A NEW AIRPORT. WE WOULD PROPOSE THAT THE THREE CAA'S APPROACH AIRLINE REPS ON THESE QUESTIONS, FOLLOWING-UP OUR EARLIER EFFORTS REPORTED LAST FALL. WE THINK SOME IMPROVED ADVERTISING IS PROBABLY CALLED FOR, AS WELL AS GREATER ATTENTION TO RESERVATION PROCEDURES, BUT WOULD PREFER TO AWAIT THE RESULTS OF OUR DISCUSSIONS WITH THE AIRLINES BEFORE COMMENTING FURTHER. WE WILL ALSO CONSIDER TAKING EXPLORATORY SOUNDINGS WITH THE AIRLINES ON CURRENT THINKING AS REGARDS RE-OPENING THE POSSIBILITY OF EXTENDING WEST BERLIN SCHEDULED SERVICES TO INTERNATIONAL DESTINATIONS. PAA AND BA HAVE JUST APPLIED FOR A CONCESSIONARY GROUP FARE WHICH SHOULD HELP ATTRACT VACATION TRAVELERS BACK TO THE SERVICE.

8. AT A FEB. 25 CAA MEETING, BRITISH CAA GROVES RAISED
THE FAIR INCREASE, AND WE OUTLINED THE POINTS TOUCHED
ON IN REF A. BOTH FRENCH CAA LASSUS AND GROVES APPEARED
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BONN 03468 02 OF 02 021803Z

TO TAKE A REASONABLY POSITIVE VIEW OF OUR CONCERNS, AND
AGREED THAT SOME ASSESSMENT OF THE ENTIRE BERLIN AIR
SERVICES PICTURE WOULD BE TIMELY. GROVES SAID THAT OUR
POINTS REGARDING THE SUBSIDY QUESTION AND THE DESIRABIL-
ITY OF IMPROVING THE SERVICE WERE GENERALLY SHARED BY
THE BRITISH EMBASSY HERE. HE INTENDED TO SEEK LONDON'S
INSTRUCTIONS FOR USE IN A
PRELIMINARY ALLIED DISCUSSION OF HOW BEST TO PROCEED
WITH A FARE INCREASE PRESENTATION. LASSUS OBSERVED
THAT THE FRENCH LIKEWISE FELT SOME RE-EVALUATION OF
BERLIN AIR WAS REQUIRED, BUT AT THE MOMENT, HAD NO
PARTICULAR IDEAS.
HILLENBRAND

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, GOVERNMENT REACTIONS, AIR FARES, SUPPLEMENTAL AIRLINES
Control Number: n/a
Copy: SINGLE
Draft Date: 02 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BONN03468
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760079-0499
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197603105/aaaadowx.tel
Line Count: 246
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 STATE 44625, 76 BONN 445, 76 BONN 1929
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAR 2004 by MartinML>; APPROVED <03 AUG 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR: IGS FARE INCREASE
TAGS: EAIR, PFOR, GE, WB, US, UK, FR, UR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006